

Safeguarding Procedures for Court Hand Receipt Books¹

Criteria

Suggested Accounting Procedures for Utah Justice Courts, General Policies and Procedures, Section 2.00; Cash Receipts, Section 5.00; and Reconciliation, Section 9.00.

Internal Control of Court-Collected Funds, by Robert W. Tobin, National Center for State Courts. III. Cash Control Procedures, C. Intake Process, D. Receipt Process, and L. Timely Reconciliations. IV. Cash Accounting, B. Accounting Records. V. Protection Against Loss or Misappropriation of Funds, C. Defining Supervisor Responsibility, and D. Defining Cashier Responsibility.

Background

The following basic controls need to be implemented for the use of court hand receipt books:

- a. Hand receipt books should have the court's name and address pre-printed on each receipt. Each receipt book should be pre-numbered, with no gaps between receipts, including when a new supply of receipt books is ordered.
- b. A hand receipt book custodian should be designated. This person is responsible to secure the court's inventory of hand receipt books, maintain the log of all receipt books received, placed in use, and completed books.
- c. The custodian assigns a book to each clerk authorized to receipt payments.
- d. As cashiers returned their completed receipt books to the custodian, the custodian reviews the book to ensure all receipts in the books were either issued or properly voided. No receipts are missing or left blank.
- e. For receipt books placed in use, a person independent of the receipt and deposit process reviews the hand receipt books to ensure all hand receipts issued were receipted on the system. If the hand receipt custodian also receipts payments, a second person reviews the hand receipts issued by the custodian.

Procedures

1. Obtain official, pre-numbered hand receipt books with the court's name and address pre-printed on the receipts. When subsequent orders are placed for the official hand receipt books, the numerical sequence needs to be preserved so no gaps in the numbering occur. A cost estimate for ordering official hand receipt books is available on the web at: <http://www.utcourts.gov/courts/just/audit/>
2. Designate one clerk as the hand receipt book custodian and require that the custodian account for all receipt books on a Hand Receipt Book Log. The log lists the beginning and

¹ This document is available on the web at: <http://www.utcourts.gov/courts/just/audit/procedures.asp>. The procedures have been compiled from various resources, including various state laws and judicial rules applicable to justice court, the Suggested Accounting Procedures for Justice Courts, and the monograph published by the National Center for State Courts, Internal Control of Court-Collected Funds, by Robert W. Tobin.

ending receipt numbers for each book in the court's inventory. An example of such a log is available on the web at: <http://www.utcourts.gov/courts/just/audit/forms.asp>.

Each cashier clerk should be assigned and responsible for a book of hand receipts. As each book is assigned, the custodian records on the log the date and to whom the book was assigned. The clerk who receives the book also signs the log to accept responsibility for the receipt book.

Each cashier clerk's hand receipt book must be kept secure (in a locking device accessible to only that clerk) and used only by the assigned clerk. The receipt custodian also needs to ensure the unassigned receipt book inventory is stored in a secure/limited access device.

When a cashier clerk has completed his/her assigned receipt book, the book is returned to the hand receipt book custodian, who records the date returned on the Hand Receipt Book Log. The custodian examines the book to verify that the numerical sequence is intact and all receipts have been issued or voided.

3. The original receipt (white) is given to the payer at the time of payment. The second copy (yellow) is attached to the computer receipt and filed with the daily accounting records on the date receipted. The third copy (pink) must remain permanently bound in the hand receipt book.

If a hand receipt is skipped or spoiled, all three hand receipt copies should be marked "VOID" and retained in the hand receipt book in numerical and date sequence.

4. Receipts voided in the court hand receipt books need to be documented by marking "Void" on unused receipts and recording the cause for the void and its resolution on the receipt. The original receipt and all copies need to be retained in the receipt book.

If a hand receipt is voided and re-issued, both receipts need to cross-reference the other with a brief explanation of the reason recorded on the voided receipt. For example, receipts may be voided because the wrong case number was recorded on the receipt, the wrong payment amount or tender type (cash, check or money order) was receipted, or the receipt was a duplicate. If a new receipt will not be re-issued, the reason needs to be recorded on the voided receipt.

5. For receipt books placed in use, independent review procedures should be performed periodically. The review procedures should be performed by a person who does not have access to cash and check receipts. If such a person is not available, it is possible to have clerks perform review procedures over each other's transactions, provided there are controls in place to ensure that each clerk's transactions are distinguishable and all transactions are subject to review.

The following independent review procedures should be performed for hand receipt books placed in use:

- Verify that receipt books (including the unassigned inventory) are stored securely: Each clerk/custodian assigned a book should store the book in a locking desk drawer or secure device where only that clerk has access.

- For hand receipts issued, verify that all information has been entered by the clerk: If a receipt was voided, all three copies should be retained in the book with the word “VOID” written across the face. The cause for the void and its resolution should be documented on the receipt.
- Verify the numerical sequence is intact. Verify that the pink copy receipt is intact for issued receipts, and all copies are intact for unused receipts. (For a three-part receipt book, the white copy receipt is given to the payer, the yellow copy is filed with the daily accounting records, and the pink copy is retained in the hand receipt book.) If the yellow copy remains in the book, it means that the copy was not turned in during the daily close out. This should be reported to management. Note any receipts that are missing, which is an irregularity that needs further investigation.
- Select a sample of hand receipts issued during the period under review. A sample of 25 issued hand receipts is sufficient to review when more than 25 hand receipts have been issued during the review period. For each hand receipt selected, verify:
 - 1) The payment was entered on the system within three banking days and included in the daily deposit.
 - 2) The payment tender type (e.g. cash, check, money order) per the hand receipt agrees with the tender type recorded on the system receipt records.

Note: Issued hand receipts are verified during review of the daily accounting records (refer to Daily Balancing Procedures, also available on the web at: <http://www.utcourts.gov/courts/just/audit/procedures.asp>). During those review procedures, the daily totals are verified. Payments from *all* sources (including hand receipts) are verified and traced to the case management system to ensure all monies collected are recorded on the system in the same amount and cash/check/credit card composition. Voided hand receipts are also reviewed to ensure the void was proper and sufficiently documented. The review procedures described above are encompassed in those review procedures, but described here to detail the control procedures specific to hand receipt books.